



Foreign Agricultural Service

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# **China, Peoples Republic of**

## **Agricultural Situation**

### **Income Disparity in China**

### **2002**

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#### **Report Highlights:**

**Income disparity between Chinese urban and rural residents hinders market development**

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Includes PSD changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Guangzhou [CH3], CH

## The “San Nong” Problem

"Nong" is the Chinese word for agriculture. “San Nong” refers to three aspects of agriculture: Agricultural business (nong ye), agricultural village (nong cun), and agricultural people (nong min), farmers.

Last year, the average disposable income of urban residents was RMB6,000 yuan a year. The comparable income for farmers was RMB2,000 yuan a year, a third of the income of an urban resident.

To aggravate the problem of income disparity, 30 million of the farmers are living below the poverty line, RMB625 yuan a year. In other words, if a Chinese earns RMB625 yuan a year, or two yuan a day, he is not considered poor. There are 30 million Chinese farmers who make less than this low threshold amount and they are scattered in one-third of China’s agricultural villages.

If the poverty line is raised to RMB1,000 yuan a year, roughly three yuan a day, the number of Chinese living below the poverty line would rise to 60 million and the Chinese Government would have to provide 20-30 billion yuan of subsidy to help the poor.

The United Nations’ definition of poverty is an income of less than US one dollar a day, that is, RMB7 or 8 yuan a day. China’s social and economic development has not yet reached the position of using the UN definition of poverty as its national standard. This is an indication of the grave nature of the “san nong” problem.

The Guangzhou Chinese newspaper, *New Express*, October 20, 2002, published the opinion of the noted Chinese economist Xiao Zhuo Ji on the fundamental problem of Chinese economic development. The above is an edited translation.

By the current exchange rate of US one dollar equals to RMB8.265 yuan, 30 million Chinese farmers have an *annual* income of less than US\$76, the cost of a dinner for four in a three star US restaurant. If the threshold of poverty is raised to US\$100 a year, 60 million Chinese farmers would be considered poor. If the UN definition of poverty is adopted for China (earning less than RMB3,000 yuan a year), more than 400 million rural residents are poor.

Xiao’s opinion is a reality check on the touted potentials of the vast China market. It “explains” partially why China has to adopt various gate keeping measures to restrict the in-flow of foreign products, its WTO membership notwithstanding. It also underscores the folly of marketing to China as though it were a homogeneous country.